

CIVIL AERONAUTICS AUTHORITY  
Planning and Development Division

Confidential Note No. 7

MEMORANDUM CONCERNING GOVERNMENT AIR TRAVEL

By

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## MEMORANDUM CONCERNING GOVERNMENT AIR TRAVEL

The problem of the recent abrupt curtailment of air transportation of government employees was presented to the Authority by the Air Transport Association of America and has been studied in accordance with your request. Mr. Edgar S. Correll, who as president of this Association, presents the views of the principal air carriers of the United States, states that since the Executive memorandum of July 5th, 1958, passenger income from official government travel requests has materially diminished, and because this income had constituted an important and much needed source of revenue, the loss cannot be well sustained.

In his letter and supporting statement, which is enclosed herewith, Mr. Correll urges that this consequence could not have been the intention of the President in issuing the memorandum, nor was it anticipated by the air carriers. He contends that the interpretation generally given to the Executive memorandum by the various government departments concerned, virtually prohibits official air travel in most cases. In those cases where approval might be expected, he alleges that the obtaining of air-travel authorizations is generally so difficult as to render it impractical if not impossible to put through requests in time to take advantage of this faster means of transportation.

Pursuant to your instructions, the matter was investigated and this report prepared. Merits of the points brought out in

Mr. Gorrell's letter and statement were considered in light of all data obtainable and the President's expressed desire to department heads to carefully scrutinize air travel requests from an economy standpoint.

Travel of government employees on official business is generally covered by the provisions of the "Standardized Government Travel Regulations". Under these regulations, air travel prior to December 10, 1935 had been greatly restricted, but at that time, through an Executive amendment broadening Section 3 thereof, it was substantially increased. This amendment permitted air travel under any of the following circumstances:

1. When an emergency existed
2. When no other usual means of public transportation is available, and
3. Whenever air travel is not more expensive, by comparison with rail plus Pullman or steamship travel costs, taking into consideration possible savings in per diem expenses and salaries, savings which accrue because of savings in time required for air travel.

To meet the third (comparative cost) provision of this amendment, for several years past most of the air carriers established special rates for government employees traveling on official business. These rates were reduced to tariffs equaling the one-way cost of either rail plus Pullman or steamship fares. These rate reductions allowed government employees to use air transportation to an amount

aggregating well over \$1,000,000 during the fiscal year of 1937, according to an estimate furnished by the General Accounting Office. The total income to the air carriers from all classes of passenger travel amounting to \$22,312,654 during this period, it appears that governmental travel constituted about 4<sup>1</sup>/<sub>2</sub> percent of all passenger revenues.

The Executive memorandum of July 5th, which followed the passage of the Act, requires air travel to have the written authorization of the various department heads concerned, and has been generally interpreted to limit air travel to emergency cases only. Since the Executive memorandum went into effect, the General Accounting Office has segregated the air travel requests for the purpose of ascertaining the trend, and finds that accurate figures show a loss in revenue to the air carriers of \$19,324.52 during the month of August, 1938, from the total amount of passenger revenues paid by the government during July, 1938. The July payment of \$83,646.45 is undoubtedly under what the total would have been for the month due to the fact that the restrictive effect of the Executive memorandum began to be noticed during the first half of the month shortly after it was issued. No comparisons with the air travel totals of June or May are possible at this time as statistics prior to July have not been compiled. The drop of more than \$19,000.00 during August, amounting to over 22 percent, if present restrictions continue, indicate a possible loss of government air travel of over \$200,000.00 based on 1937 reports. It appears that an average 22 percent reduction in government

passenger revenues over the nation-wide system of airways might conceivably be an operating loss that would adversely affect standards of service and safety. It may be taken as conclusive that such an effect is not desired by the President nor by the Authority.

The portion of the Civil Aeronautics Act, bearing on the question of air travel by government employees seems to clearly state the intent of Congress to establish air travel along with rail and steamship travel as a standard method of transportation, without regard to emergencies or comparative costs. Examination of the various drafts prepared by both Houses of Congress, comments made during debate, and the conferences in preparation of the final draft of the Act indicate a manifest desire to remove restrictions previously imposed on air travel. This intent is set forth in Section 204 (c), which states as follows:

"Travel by personnel of the United States Government on commercial aircraft, domestic or foreign, including travel between airports and centers of population or posts of duty when incidental to travel on commercial aircraft, shall be allowed at public expense when authorized or approved by competent authority, and transportation requests for such travel may be issued upon such authorizations. Such expense shall be allowed without regard to comparative costs of transportation by aircraft with other modes of transportation."

Congress, in including Sections 403 (b) and 404 (b) went even farther than ever before in the regulation of inter-state air

transportation by imposing the most severe restrictions on discriminatory rates and fares ever enacted, these sections prohibiting the granting of free or reduced air rates or fares to any person.

Conforming to the provisions of these sections, fifteen of the total of twenty-three air carriers promptly filed new tariffs cancelling their former reductions in fares for government employees traveling by air. The other companies are expected to submit similar tariff revisions in the near future, according to the General Accounting Office. Under general order 404-B-1 of the Authority, dated August 17th, 1938, temporary and partial postponement of Section 404 (b) of the Act was decreed until October 3, 1938, retaining "scrip" or discount rates of 15 percent to wholesale users of air transportation until that date. Whether the use of discount rates for large amounts of mileage purchases will be allowed or held legal for the future was not announced. Any such rates granted to the public would accrue to the government also, under the Act, and would to a considerable extent, aid in carrying out the President's announced desire for economy in air travel.

Although the action of the air carriers in filing new tariffs cancelling their reduced rates somewhat anticipated the effective date of the Act, that of August 22, 1938, there appeared to be no alternative possible. This general cancellation of reduced rates also included cancellation of rate reductions to the government under the amendment to Section 3, of the "Standardized Government Travel Regulations". There was no advantage to the air carriers in delaying

to meet the provisions of the Act, as they did not expect any diminution in government travel revenues as a result of this compulsory increase in rates, relying on the provisions of Section 204 (c) which removed the cost-comparison requirements previously enforced. They did not anticipate the Executive memorandum of July 5th, 1938, nor the interpretation put on same by the heads of the various government departments charged with the duty of authorizing official travel requests.

The Executive memorandum dated July 5th, 1938 was understood and interpreted by the various government departments and agencies concerned as modifying the language of Section 5 of the "Standardized Government Travel Regulations". In this section all travel (including travel by aircraft: see the first sentence of Section 8) must be authorized "by the head of the department or independent establishment or by an official to whom such authority has been properly delegated."

The interpretation given to the language of the Executive memorandum of July 5th has withdrawn the customary delegation of travel approval to division or section chiefs, where air travel is concerned, thus serving to actually lift air carriers out of the general transportation category, a result not intended either by the Executive memorandum or the Civil Aeronautics Act. The routing of such air travel requests from the division chiefs to the department heads for final approval, necessitates a complete investigation on the part of each official handling the same as to the urgency of the travel and the comparative savings of expenses, travel time and per diem costs.

The expediency of air travel lies in the expected savings in these items. These savings are not realized if an overnight delay or even the missing of a schedule is necessary in obtaining the approvals through the channels described. In the case of the Civil Aeronautics Authority, whose technical and specialist personnel most frequently travel on official business connected with aviation matters, it has placed an increasingly difficult burden on the Chairman of the Authority in having to directly investigate and approve all air travel requests, especially for personnel outside of Washington, D. C.

It is believed that the Executive memorandum did not intend that urgent governmental travel be routed other than by the fastest transportation, nor that air travel authorizations in urgent or emergency cases be made difficult to the extent of practically nullifying possible time savings.

It is obvious that the President, in the interests of economy, does not desire that all governmental travel, other than urgent or emergency in character, be diverted from the railroad and steamship lines to the air; a diversion possible under the blanket provisions of Section 204 (c) of the Act.

Under the Act, the Authority is made responsible for the development of the air transportation system to a point where it will properly serve the commercial needs of the United States, the Postal Service, and the national defence. The prime factor in accomplishing these ends is the fostering of sound economic conditions in the industry through the establishment of rates and fares, and through



increasing revenues bring about adequate and reasonable returns, without resorting to discriminatory discounts.

It is argued that the present economic condition of the air carriers is unsound, and means must be found for bolstering income. The sum of \$15,100,147 was paid to the air carriers during the calendar year 1937 for the transportation of the mail. While some additional income was derived from transportation of express, the revenues from transportation of passengers, aggregating \$22,512,654, constituted by far the largest single revenue source, even with a rate of \$0.056 per mile, the lowest passenger rate in history. In spite of this fact the passenger load factor, during 1937, was only 57%. One of the chief problems therefor, in improving the economic status of the air carriers is the development of additional passenger travel.

With an indicated 23 percent decrease in the total passenger revenues derived from government employee travel since July, 1938, it is properly a matter of concern to the Authority that this inroad into an important income source of the air carriers be remedied.

In the absence of relief this situation it would seem that the only other opportunity the Authority would have to assure a sound economic condition among the air carriers would be to increase air mail revenues. This procedure would naturally place the Government in the anomalous position of appropriating money from one source to save it in another.

In the meantime, however, government business in the field suffers delays. Our study in cooperation with the several government

departments and agencies indicates that the whole tempo of government business had increased due to the expedition with which government travelers have been able to move over the airlines. The chief source of passenger travel other than government, comes from the business establishments of the United States. It is urged that Government business has as great, if not a greater, justification for this more expeditious form of travel than have other users.

A legal opinion has been received to the effect that the Authority will find itself in a difficult position if it assents to this extra-legislative modification of the Act. Under the circumstances it would be difficult for the Authority to rebut any claim of injurious discrimination by the air carriers.

In the light of the arguments presented, and considering the unfavorable reactions which have sprung from the sharp curtailment of air travel, the request for steps to be taken to correct the situation appears to be justified. Complete withdrawal of the Executive memorandum, on the other hand, would not meet the needs of the situation nor offer the solution desired.

An additional Executive memorandum should be sought, clarifying the former one and modifying the interpretations that have been placed upon it by the various departments. This can be done pending a thorough survey of the air carriers' economic problems after the filing of the new tariffs and the hearings thereon October 5, 1938. It is recommended that the following instructions be embodied in a new memorandum from the President:

1. That air travel be authorized in cases of urgent as well as emergency business.
2. That competent authority for the authorization of air travel, when urgent or of an emergency nature, be interpreted to include those who may be delegated such authority by department heads, such as district supervisors, division or section chiefs, etc., such officials presumably having first hand knowledge of the situation within their jurisdiction and, therefore, being competent to determine the nature of the official business.
3. That travel by air of officials and technical personnel of the Civil Aeronautics Authority be permitted without regard to the urgency or comparative costs, to facilitate a continuing familiarization with airways conditions and current operating problems, in line with their duties in this respect.
4. That ordinary governmental travel on official business, not necessarily urgent, be routed by air only upon the written authorization of the head of the department concerned, in accordance with the last paragraph of the Executive memorandum of July 5th.

The letter and statement on behalf of the Air Transport Association of America are attached hereto for reference.

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AIR TRANSPORT ASSOCIATION OF AMERICA

August 26, 1938

Civil Aeronautics Authority and Administrator  
of the Civil Aeronautics Authority  
5th Floor - Department of Commerce Building  
Washington, D. C.

Gentlemen:

In view of the fact that Congress has looked to you for the development of civil aeronautics and the growth of air transportation, the Air Transport Association, likewise, turns to you for aid and advice in meeting a critical problem that has recently arisen.

This problem has to do with the effect upon government travel of a memorandum recently directed by the President to the various executive departments, establishments and agencies. We attach a statement which explains the matter fully.

From government travel, the air carriers have derived an important share of their income despite severe legal restrictions hitherto placed upon such travel. As a result of the memorandum referred to, this income has been materially diminished. This consequence, we are certain, was never anticipated.

By virtue of the changes in the law of government travel, effected by the Civil Aeronautics Act, it had been supposed that government travel by air would be very materially increased. Increased use of this modern means of transport by the government was one of the apparent objects of the Civil Aeronautics Authority.

The following excerpt from Senate Report No. 135, 75th Congress, 1st Session, dealing with certain fundamental questions concerning air transportation and issued during the time of the consideration of the Lea and McCarran Bills, is illustrative of a thought widely entertained:

"GOVERNMENT TRAVEL"

"Government employees are now authorized to travel by the so-called usual methods of transportation; air travel, by Government employees and at the published tariffs, is authorized only upon the signature of the secretary of the Department involved. No doubt when railroads

were first instituted, many thought that Government employees should confine their travel to the horse and buggy, or to the conveyance moving up and down the inland waterways. Rail travel in the early days was unusual just as air travel some years ago might have been considered to be out of the ordinary. Air travel has now become a necessary part of our daily life. Over a million persons last year used the airplanes to diminish the time required for travel between one point and another. It is the opinion of your committee that the United States needs to augment the usefulness of its employees by declaring by law, if necessary, that air travel is now a "common and ordinary" form of transportation. Governmental employees should be permitted to travel by air, paying the same rate and charges as the general public may pay, and being reimbursed accordingly on their expense accounts when the travel performed is necessary in the Government service. Our regulations in the matter of air travel are still in the horse and buggy days. Amendment thereto has already been too long delayed."

We need not argue to you the validity of the views expressed in the foregoing Senate Report. You have already demonstrated a grasp of the task with which you are faced and a vision of the limitless possibilities of air transportation which have won the confidence of the country.

Therefore, we ask your earnest consideration of the problem set forth in the attached statement, and we respectfully request that you take with the President whatever steps you can in order to correct the unfortunate situation which has arisen in respect to government air travel. We are certain that when the problem is made clear to the President, the present unfortunate situation will be eliminated.

Respectfully yours,

/s/ Edgar S. Gorrell,  
President.

ESG:W

August 26, 1938

MEMORANDUM CONCERNING GOVERNMENT TRAVEL.

Section 204 (c) of the Civil Aeronautics Act of 1938 provides:

"Travel by personnel of the United States Government on commercial aircraft, domestic or foreign, including travel between airports and centers of population or posts of duty when incidental to travel on commercial aircraft, shall be allowed at public expense when authorized or approved by competent authority, and transportation requests for such travel may be issued upon such authorizations. Such expense shall be allowed without regard to comparative costs of transportation by aircraft with other modes of transportation."

On July 5, 1938, the President of the United States directed a memorandum to the heads of executive departments, establishments and agencies, which stated:

"The Standardized Government Travel Regulations permit travel by air lines when the cost thereof, less the amount of salary and subsistence allowance that would be saved by this more expeditious method of travel, does not exceed the cost of the usual railroad or steamer transportation.

"Paragraph C of Section 204 of the Act of June 23, 1938, creating a Civil Aeronautics Authority, permits travel by commercial aircraft, when authorized by competent authority, without regard to the cost of such transportation as compared with the cost of other modes of transportation.

"In order to hold to a minimum the cost of air travel that would be in excess of such cost under the existing Standardized Government Travel Regulations, it is my desire that all requests for travel authority of this character be given the closest scrutiny and that such travel be permitted only upon the written authorization of the head of the department, establishment, or agency for which the travel is to be performed."

The purpose of the President's recommendation is to keep to a minimum air travel which sometimes may cost more than travel by other means. In other words, the comparative cost of air travel and of other travel becomes of controlling importance.

To accomplish the minimizing of air travel it is stated that the head of the department, establishment or agency should authorize air travel in writing.

Section 204 (c) of the Civil Aeronautics Act, on the other hand, provides that air travel shall be permitted without regard to cost by other means of transportation.

That section likewise provides that air travel is to be authorized or approved by "competent authority."

As will appear from a review of the legislative history of Section 204 (c), Congress carefully and deliberately made an effort to place Government air travel upon a normal basis and to eliminate special restrictions with which for some years past such travel had been hedged about.

Yet even those former special restrictions had not been as severe as are now the limitations imposed as a result of the President's memorandum of July 5, 1938.

As a practical matter the President's memorandum has led to a more serious reduction in Government air travel. The traffic men in the air transport industry are informed that it is impractical, if not impossible, in large numbers of cases for Government officials and employees to secure the approval or authorization of the head of a department, establishment or agency because of the physical difficulties of communicating to and from Washington when travel is desired. They also are informed that departments, establishments and agencies in notable cases have laid down unbinding rules that no air travel is to be allowed in any case where it would cost more than travel by rail. The result has been that the volume of Government travel has diminished to sharply - in most cases almost disappearing - that air-line operating revenues are gravely impaired.

The Civil Aeronautics Act recognized that air carriers are an established and legitimate medium of transport to be generally available to the public upon the condition normally attaching to a business affected with a public interest. It also recognizes that for reasons of national defense and commerce the growth and development of the air transport industry should be given every encouragement by Government. That the use of air transportation by Government personnel should be impeded certainly was not contemplated by the Act.

Moreover, in the legislative history of the provisions of Section 204 (c) itself there will be found an earnest effort by Congress to provide for an expanded use, by Government personnel, of air transport.

The bill formulated by Mr. Lea's committee in the House first provided (draft of January 29, 1938) that air travel by Government personnel must be approved by the head of the department, and the travel provision was to become effective sixty days after enactment.

The bill was rewritten (draft of February 19, and subsequent drafts) by Mr. Lea's committee to provide for approval under the authority of the head of the department. The travel provision was lifted out of the general body of the bill and put among the urgent provisions of Title II which were to become effective immediately upon enactment. And the committee added the specific mandate (draft of March 4 and subsequent drafts) that air travel was to be allowed and paid for "without consideration of comparative costs by other means of transportation."

Subsequently (draft of April 6 and subsequent drafts), Mr. Lea's committee sought further to cut red tape by eliminating all reference to the head of the department and providing instead for authorization or approval by competent authority.

That was the form in which the Government travel provision was reported to and passed by the House; and the House had before it, when it acted upon the provision, the report of Mr. Lea's committee (H. R. Report 2254), which said, relative to Government air travel:

"It is the purpose of this section to permit officers and employees of the United States to travel by commercial aircraft and be reimbursed therefor without regard to the existence of an emergency and upon the same terms and conditions that such officers and employees now travel by rail."

Similar or identical provisions were contained in the drafts submitted by Senator Truman to the Senate committee on March 30 and May 9, and in the bill introduced on March 30 by Senator Copeland (S. 2760). It will be remembered that Senator Truman said on the floor of the Senate on May 12, 1938 (Congressional Record, pp. 5672, 5673), that it was the substitute draft introduced by him (containing provisions liberalizing Government air travel), rather than the bill of Senator McCarran (referred to in the next paragraph and containing restrictive travel provisions), which was "the bill which has the approval of the executive department" and was "the administration bill."

On the other hand, the drafts prepared by Senator McCarran on January 17 and subsequent dates, to and including the draft which he introduced on March 11 as S. 3659, all (a) provided that air travel must be authorized by the head of the department, (b) made no reference to comparative cost, and (c) were to remain inoperative until 60 days after enactment.



The bill, S. 3845, which finally was reported to and acted on by the Senate, likewise, in the form in which Senator McCarran introduced it, required approval by the head of the department and made no reference to comparative costs. The Senate Commerce Committee liberalized the provision by permitting authorization or approval under the authority of the department head; and when the bill came to debate on the floor of the Senate, the Chairman of the Commerce Committee presented further Committee amendments designed to bring the travel provision exactly into line with the language of the House as worked out by Mr. Lea's committee.

To this, Senator McCarran objected. He said:

"I will accept the amendment providing the Senator will agree to strike out the words 'by competent authority' and insert the words 'by the head of a department' . . . I do not want every Tom, Dick and Harry to be issuing authorizations."

Accordingly, as passed by the Senate, S. 3845 required Government travel to be "authorized by the head of a Department."

The conference committee, however, with the differing House and Senate provisions before it, deliberately reversed the action which the Senate had thus taken at Senator McCarran's insistence. The committee wrote into the final draft the House travel provision intact. It appears as Section 204 (c) of the Civil Aeronautics Act and provides for:

- (a) Authorization or approval by competent authority - not restricted to the head of the department.
- (b) Allowance and payment without regard to comparative costs.
- (c) Immediate effectiveness of the liberalized provisions.

This strikingly clear expression of the intention of Congress is of peculiar significance when considered in connection with the provisions of Sections 403 (b) and 404 (b) of the Civil Aeronautics Act. Section 403 (b) is the only section which provides for "free or reduced rate transportation." In this section there is no provision for reduced rates to the Government. In this respect there is a notable difference between Section 22 (1) in the Interstate Commerce Act and the Civil Aeronautics Act. Indeed, the Civil Aeronautics Act contains what is

perhaps the most severe restriction upon free or reduced rate transportation that has ever been adopted in any comparable statute.\* And Section 404 (b) contains a sweeping prohibition against discriminations.

It is evident that in providing for Government travel by air without regard to comparative costs of other means of transportation Congress had in mind the narrow restrictions it was placing upon reduced rate transportation. The Act demonstrated (a) that Congress desired to forestall the possibility that any class of passengers should travel by air at the expense of any other class, and (b) that Congress desired that under these conditions, the Government, through its officials and employees, should enjoy all the advantages which air travel provides.

During August of 1958 most of the air carriers, we are informed, filed with the General Accounting Office their regular tariffs, thus abandoning the former specially reduced rates for Government travel. This action was taken because of the compelling effect of Sections 403 (b) and 404 (b) of the Civil Aeronautics Act, which were to become effective on August 22. It was realized by the carriers at that time that the President's memorandum had already caused the most abrupt diminution of Government air travel. None the less, the carriers, in an effort to abide by the dictates of Congress, took the only steps open to them to equalize the conditions of Government and civilian travel.

The industry is ready and eager to give to the Government every advantage which is open to other passengers. Special round trip rates are available to the Government just as to other passengers. Special rates under the so-called "scrip" plan could be available to the Government just as to other passengers. And whatever other concessions can be made to the public generally, consistent with Sections 403 (b) and 404 (b) of the Civil Aeronautics Act, should likewise be made to the Government. The carriers are of the impression that they have already taken the necessary steps to afford the Government such special concessions as are available to the general public. If there is anything further that the industry can do to insure that the Government enjoys every advantage available to others, the industry will promptly take the necessary steps to that end.

\* It is true that at one stage Senator McGarran did propose that air carriers be permitted to transport "passengers or property at uniform reduced rates for the Government." See Sec. 504 (b) of H. R. 75th Congress, as introduced on January 6, 1927. But this proposal was promptly and almost immediately abandoned and was never made thereafter.

In the meantime, however, it is apparent that the memorandum of July 5 has created a situation which was not contemplated by Congress, which indeed Congress sought to prevent, and which impedes Government travel by air even more severely than in the days when air carriers were still regarded as mere mail messengers.

The industry realizes, of course, that the results to Government air travel were not anticipated and could not have been anticipated at the time the President's memorandum of July 5, 1938 was issued. The industry feels assured that the situation will be corrected as soon as the Acts are made clear. The industry recommends that, with the withdrawal of the aforementioned memorandum, the Administrator of the Civil Aeronautics Authority and the Authority itself should work out with the industry a convenient means for making sure that there is available to the Government any class of concession that is made available to the general public.

Respectfully submitted,

/s/ Edgar S. Correll  
President, Air Transport  
Association of America